

**THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ON
CUSTOMER SATISFACTION IN PT.TELKOMINDONESIA TBK, SURAKARTA**



Presented as Partial Fulfillment of the Requirement to Obtain the Bachelor Degree in Economic
and Business Department

Written by:

HAMZA A.M ABUSHAMSIYA

B100144004

DEPARTMENT OF MANAGEMENT DUAL DEGREE PROGRAM

ECONOMIC AND BUSINESS FACULTY

UNIVERSITAS MUHAMMADIYAH SURAKARTA

2017

APPROVAL

**EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER
SATISFATION (CRM) IN PT. TELEKOMUNIKASI TBK, SURAKARTA**

Written By:

HAMZA AM ABUSHAMSIYA

B100144004

Approved By:

Advisor



Ihwan Susilo, SE, MSi, Ph.D

RATIFICATION

Thesis entitled "EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER SATISFATION (CRM) IN PT. TELEKOMUNIKASI TBK, SURAKARTA " by Hamza AM Abushamsiya, B1C0144004, has been established through examination at the University Muhamadiyah Surakarta (UMS) on June, 19th 2017

This thesis has been accepted as one of the requirements to obtain an Bachelor Degree (S1) at Department of Management Dual Degree Program, Economic and Business Faculty of Univeristy Muhamadiyah Surakarta (UMS)

Surakarta, June, 19th 2017

Examiner Team

1. Ihwan Susilo, SE, MSi, Ph.D

()

(Examiner I)

2. Dr. Soepatini, MSi

()

(Examiner II)



3. Imronudin, SE, MSi, Ph.D

()

(Examiner III)

Dean

Head of Economic and Business faculty

 **Dr. Syamsudin, MM**


DECLARATION AUTHENCITY

I hereby declare that thesis entitled “**EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER SATISFATION (CRM) IN PT. TELEKOMUNIKASI TBK, SURAKARTA**” this all its content is truly the work of my own and I did not do plagiarism or quotation in ways that are inconsistent with the prevailing ethic in the scientific community.

On this statement, I am ready to bear the risk/ any sanction imposed to me in accordance with applicable regulations, if the future found a breach of scientific ethics, or you have a claim against the authenticity of my work.

Surakarta, June, 19th 2017

Author,



Hamza AM Abushamsiya

B100144004

THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER SATISFACTION IN PT.TELKOMINDONESIA TBK, SURAKARTA

ABSTRACT

This paper examined the effect of customer relationship management elements on customer satisfaction through empirical study of telecommunication service in PT.Telkom in Surakarta city. This study aims to determine the influence of quality of service, employee behavior and customer solving problem on customer satisfaction. Data were collected using questionnaire-based survey consisting of 15 questions and distributed to 150 respondents comprising all of Telkom company customers in Surakarta city. In order to analyze the data obtained from questionnaires, quantitative methods were employed. The findings showed that customer relationship management elements have a significant effect on customer satisfaction. Finally, the study recommends that management should improve the customer relationship management by applying the right project of customer relationship management to gain high customer satisfaction.

Keywords: CRM, Customer Satisfaction, Communication Industry, Services Marketing.

ABSTRAKT

Studi ini mempelajari tentang pengaruh Customer Relationship Management (CRM) terhadap kepuasan pelanggan melalui studi empiris pada jasa telekomunikasi PT. Telkom di kota Surakarta. Studi ini bertujuan untuk menentukan pengaruh dari kualitas pelayanan, sikap karyawan dan penyelesaian masalah pada kepuasan pelanggan. Data dikumpulkan menggunakan kuisioner yang berisi 15 pertanyaan dan dibagikan kepada 150 responden meliputi pelanggan PT. Telkom di kota Surakarta. Metode kuantitatif digunakan untuk menganalisa data yang diperoleh. Kesimpulannya menunjukkan bahwa Customer Relationship Management (CRM) memiliki efek yang signifikan terhadap kepuasan pelanggan. Pada akhirnya, studi ini merekomendasikan bahwa manajemen sebaiknya meningkatkan Customer Relationship Management (CRM) dengan menerapkan hubungan yang tepat untuk memperoleh tingkat kepuasan pelanggan yang tinggi.

Kata kunci: CRM, Kepuasan Pelanggan, Perusahaan Komunikasi, Pemasaran Jasa

1. INTRODUCTION

All businesses and particularly telecommunication institutions have been affected to some degree in what is happening in the global market place. Now, not only the organizations aim to satisfy the customers but they attempt to do this more efficiently and effectively than their rivals in the competitive market place in order to attain their goals. The most important goal of an organization is to maintain customer satisfaction and focus on customer centric approach in their organizational and marketing strategies. The significance of customer satisfaction can not be

dismissed while customers are happy in the telecommunication institutions. It is necessary to put the customer at the centre of the business according to its strategies, events and processes. In fact, it is easier and more profitable to sell to present customers than to find new ones. Telecommunications institutions are setting their strategies to ensure customer satisfaction, retention, therefore their employees should be more customer-focused and service-oriented in order to satisfy their customers, the study show the relation between customer relationship management and customer satisfaction

Hasan et.al (2012) in their study defined CRM as customer centric managerial strategy that aspires to establish long term relationship with profitable customers by employing all-inclusive customer knowledge. This definition highlighted the need and significance of identifying customers' to recognize their ever changing needs through appropriate management approaches. The key areas in this definition were customer centric strategy, long term relationship and customer knowledge.

Customer loyalty is a key component for a brand's long-term viability. It helps a company face many uncertainty problems in an intense competitive market. Oliver defines customer loyalty as a deep held commitment to repeat patronage from a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that may potentially cause switching behavior. Customer loyalty has been found to be the key mediating variable in explaining customer retention, which is the likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity. According to Uncles et al. , customer loyalty can be categorized as (a) attitudinal-loyalty to the brand whereby customers have a favorable set of stated belief towards the brand purchased, (b) behavioral-loyalty to the brand where loyalty to a certain brand is defined mainly with reference to the pattern of past purchases, and (c) determinants of buying brand where loyalty is moderated by contingency variables such as individual's current circumstances, their characteristics, and/or the purchasing situation faced. In this study, the concept of customer loyalty is based on both user's attitudinal-loyalty and behavioral-loyalty to the telecommunication service provider. (Salmiah, 2012)

Customer satisfaction is defined as an "evaluation of the perceived discrepancy between prior expectations and the actual performance of the product" (Tse and Wilton, 1988, Oliver 1999). Satisfaction of customers with products and services of a company is considered as most important factor leading toward competitiveness and success (Hennig-Thurau and Klee, 1997). Customer satisfaction is actually how customer evaluates the ongoing performance (Gustafsson, Johnson and Roos, 2005). According to Kim, Park and Jeong (2004) customer satisfaction is customer's reaction to the state of satisfaction, and customer's judgment of satisfaction level. Customer satisfaction is very important in today's business world as according to Deng et al., (2009) the ability of a service provider to create high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers. Customer satisfaction makes the customers loyal to one telecommunication service provider. Previous researchers have found that satisfaction of the

customers can help the brands to build long and profitable relationships with their customers (Eshghi, Haughton and Topi, 2007). Though it is costly to generate satisfied and loyal customers but that would prove profitable in a long run for a firm (Anderson, Fornell and Mazvancheryl, 2004). Therefore a firm should concentrate on the improvement of service quality and charge appropriate fair price in order to satisfy their customers which would ultimately help the firm to retain its customers (Gustafsson, Johnson and Roos, 2005).

2. HYPOTHESIS DEVELOPMENT

As a logical result of the appearance of the concept “ Relationship Marketing” since the 1920s, the concept Customer Relationship Management” (CRM) has been brought to attention in late nineties, especially among the academics and partitions. The new concept has directed attention towards various vital aspects, including the necessity of direct relationship between customers and markets, the important of keeping current customer, as well as the inevitability building long-term relationships with customers instead of the customer-oriented transaction method in order to augment the profitable of the institutions, especially in today’s increasingly competitive economy (Ismail, 2005¹ & et. al, Jayachadran 2007) Therefore, the organization has directed their attention to CRM and abundant investing in the necessary infrastructure, with special concern the great advance in information technology. (Malmi, 2004) Some considered, therefore, that improving the performance could be achieves through directing more attention to CRM. According to Khaligh (2012) investigate the impact of CRM on customer loyalty and retention in the telecom industry, Finding shows that commitment and vision of the management system is highly required for a successful CRM implementation, the structure of the strategy should be based on flexibility and explicitly of the policies especially pricing policies. These factors are very importance to increase customer satisfaction and benefit of the firm.

Research purpose or objectives as follows: to analyze the effect of customer relationship management in this study choose some elements such as (Quality of Service, Solving Customer Problem and Employee Behavior) on Customer Satisfaction telecommunication industry.

2.1 Elements of Customer relationship management

Service quality, According to (Lupioyadi, 2008) is a factor in determining the success and quality of the company where the company's ability to provide quality service to consumers and as a strategy to defend themselves and achieve success in the face of competition. According (Ahmed, 2005 and Bowen, 2001) their studies findings that quality of service is significantly related with customer satisfaction. (Saravanan&Rao, 2007) Service organizations have begun focusing on the customer perceptions of service quality because it helps in developing strategies that lead to customer satisfaction. According to (Nasution, 2004), Service quality is the expected level of excellence and control over the level of excellence to meet customer desires. From the description above, According to (Linnell, 2009), Quality of service is defines as the difference between customer’s expectation for service output to the service input and the perception of the service received. Therefore, Customer’s expectation serves as a foundation for evaluating service

received because when performance exceed expectation, it means that the quality is high and when performance is low it means performance does not meet their expectation, based on the arguments above is Quality of service have positive and significant impact on customer satisfaction

Behavior of employee is defined as an employee's reaction to a particular situation at workplace. According to (Ahmed, 2005 and Royan, 2017) the study findings that behavior of the employees is significantly related with customer satisfaction. According to (Coulter2002), Employee Behavior is the way your employee responds to his attitude. This response is either positive or negative, depending on how the employee views his position and the company good performance in an organization make a customer satisfy. (Hanley, 2008 and Cho, et. al., 2013) investigates the impact of customer relationship management on customer satisfaction and loyalty, Based on the arguments above behavior of employee have positive and significant impact on customer satisfaction.

Customers Solving problem is the very premise on which customer service rests. More often than not customers approach the customer service team desk with what they perceive as a problem. However, despite this skill being so crucial, it does not come naturally to a lot of people. There is no option for Customer service staff to develop this skill since without this aptitude, the customer service department would lead themselves and the company hurtling uncontrollably towards irrecoverable failure. Evans and Lindsay, According to (Lemon, 2002)listening to the customers' demands and complaints and producing solutions with consideration to the customer differences are very important in creating customer satisfaction, good customer solving problem team lead to customer satisfaction. According to (Saifullah, 2015), the study findings that customer solving problem is significantly related with customer satisfaction. Based on the arguments above customer solving problem have positive and significant impact on customer satisfaction.

3. Research Model

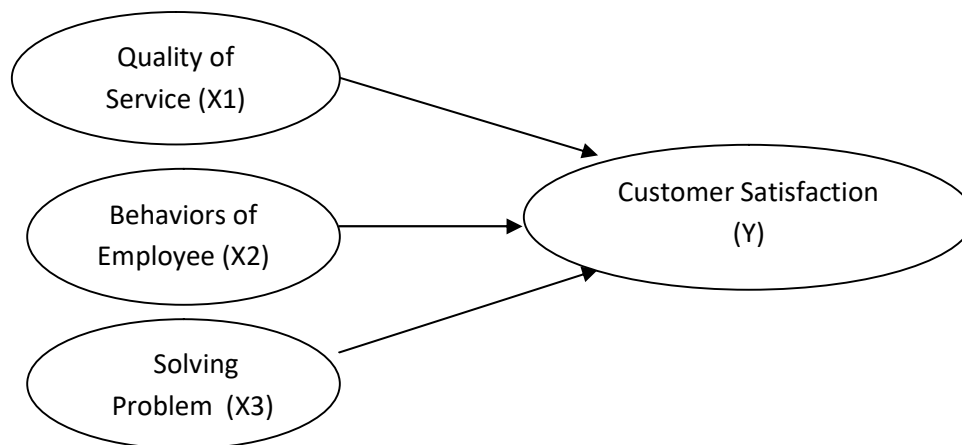


Figure 1.1 Research model

3.1 Research Methodology

This research is a causal study using survey methods in the process of collection of data. Primary data was collected by direct distributing questionnaires. The descriptive and statistical analysis method were used in this study. The population of this study was consisting of all customers in PT.TelkomIndonesia Company in Surakarta city. Convenience sampling was used in this study

The questionnaire used closed-ended questions with 5-point-likert-scales. Likert scale is used to measure behaviour, opinion, and perception of the person or group of social condition or phenomenon (Sugiyono, 2009). Likert scale is given in five options, on a scale of one to five; from strongly disagree to strongly agree. The questionnaire also revealed respondents, gender, occupation, education, the questionnaires were distributed to 150 people, and all of the questionnaires were used because they all matched with the criteria.

3.2 Finding and Discussion

Considering the demographic features of the customers included in the study 60% of them are males and 40% are females. Related to qualification variable 29.6% are having bachelor degree. Majority of the respondents are student of them with percentage 66%

3.3 Scale Reliabilities

To find out the degree of effect of between the dependent variable (customer satisfaction) and independent variable (CRM elements; service quality, solving customer problems, employee's behavior), correlation and regression analysis is done. For this purpose SPSS program is used.

Table 1.1 RELIABILITY

Variable	Cronbach's Alpha	Conclusion
Quality of service	.894	Reliable
Employee behavior	.789	Reliable
Solving problem	.854	Reliable
Customer satisfaction	.758	Reliable

As shown in table 1.1 all the variables are inter related and show inter consistency, where the value of Cronbach Alpha is greater than 0.60 which is acceptable

Table 1.2 R Square result

Model	R	R Square	Adjusted R Square	Std.
	.814 ^a	.663	.624	1.856

Table 1.2 show the R Square value is 0.663; it means that 66.3% customer satisfaction can be explained by the variable of quality of service, employee behavior and solving problem. While the rest ($100\% - 66.3\% = 33.7\%$) can be explained by other variables.

Table 1.3 F TEST

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	518.319	3	172.641	19.088	.000 ^b
	Residual	458.514	146	3.444		
	Total	976.833	149			
	F tabulated	2, 70				

Findings from statistics show that F calculated value 19.088 and is significant as the level of significance is less than 0.05. This indicates that the overall model was reasonable fit and there was a statistically significant association between customer relationship management dimension and customer satisfaction

Table 1.4 Regression Model

	B	Std. Error	Beta	t	sig
(Constant)	6.334	2.340		2.624	.000
Service quality	.642	.175	.363	3.049	.002
Employee behavior	-.043	.158	-.049	-.244	.653
Solving problem	.720	.198	.665	5.643	.000
T tabulated	1.984				

4. The Discussion

Positive relationship between CRM and customer satisfaction indicates that when CRM increases, customer satisfaction increases and vice versa. This is consistent with the findings of Ahmed (2005), who suggested that high degree of CRM translates into customer satisfaction it is expected to increase when customers' CRM expectations are meet.

4.1 Effect of Quality of Service on Customer Satisfaction

Table 1.4 show the indicates that there is significant relationship between quality of service and customer satisfaction finding is similar with researchers' findings by (Ahmed, 2005 and Bowen, 2001) consider that the quality of service relation are important part of any industry and guarantee that customers are pleased and dealing with that service provide from an organization. This result is consistent with the findings of RanaSaifullah (2015), that the increase in the satisfaction level will allow the customer to come again and again to use the company's products and that will increase the sales level of the company which causes the increase in organizational profit. An effective quality service (CRM) will lead to customer satisfaction and if customer satisfied it drives towards positive word of mouth and loyalty.

The study show statistical significant relationship between quality of service and customer satisfaction, also suggests that Based on the respondent can see the customer are satisfied with service quickly or speed service, accuracy essential for customer satisfaction and developed

service in Telkom Company. Thus, when quality of service plans are favorable to customers, they remain satisfy. Quality of service has been widely used in telecommunication industries in different cultural context with high reliability and validity (Hoffman, 2001). Good service from Telkom Company affected consumer easily to understanding service, so a customers will be satisfy

4.2 Effect of Employee Behavior on Customer Satisfaction

Table 1.4 show the indicates that this element of customer relationship management have not significant effect on customer satisfaction and it is not similar with researchers' findings by (Ahmed, 2005 and Roya, 2017), Employee behavior a key element of customer satisfaction, And this result not constant with (Mihelis, 2001) the researcher consider that behavior of employee important in an organization and good employee behavior lead to customer satisfaction, this happened because different are not same with other results. This result consistent with (Zakaria, Ahmad 2014) that giving special training programs to all front stage officers is need to deal positively with customers through identifying with CRM tools.

The study show negatively statistical significant relationship between employee behavior and customer satisfaction, Based on the respondent in this study can see the customer not satisfy with the employee behavior in Telkom company maybe the employees are not dealing sincerely with the customers, they are not help a customers, employees of the company are not kind with customer, finally maybe the employee have not good skill and experience with customers, As noted by (Khedkar, 2005), customers will judge the employee behavior of consumption after contrasting benefits gained from products and services with their costs and service.

4.3 Effect of solving problem customer on customer satisfaction

Table 1.4 show the indicates that there is a significant relationship between solving problem customer and customer satisfaction finding is similar with researchers' findings by (Rana Saifullah, 2015) who demonstrated that solving problem from company relates positively with customer satisfaction in three sectors (telecommunication, retailing and education). This consistent with (Ahmad Zakaria, 2014) that CRM elements are responsible creating customer satisfaction by make greater emphasis on service quality provide to customer and giving high tension to solving problem and complaints which was responsible mainly for customer satisfaction The study show positive statistical relationship between solving problem and customer satisfaction implies that the two variables changes in the same direction Based the responses the customer satisfied with service in Telkom company such as deal effectively with customer, reviews complaints, officers' response, and greater attention from the customer to the company, Increase in solving problem may lead to increase in satisfaction and vice versa.

. Based on the results of the analysis and discussion in the previous section, it can be deduced as follows Quality of service have positive and significant effect on customer satisfaction, Employee behavior have no positive and no significant effect on customer satisfaction and Customer solving problem have positive and significant effect on customer satisfaction

4.4 Limitations of the Study

The following limitations have been identified: First, the researcher would have wanted to cover more PT.TelkomIndonesia users for the study but due to the limited time frame available for the study, only 150 questionnaires were administered. Secondly, convincing customers to answer the questionnaires was rather challenging as some of them claim they are busy and therefore do not have time. Besides, some people could not respond to all the items on the questionnaire which makes them invalid and therefore have to exclude from the data. Despite these challenges, the findings from the study are valid and would be of great benefit to telecommunication experts and regulators.

4.5 Suggestion

There is a good opportunity for next research to examine other elements of CRM which may affect customer satisfaction. The company should apply new policies to develop employee ability and knowledge to prove and growth good customer relationship management Facilities should be increased, to support the development of employee

4.6 Recommendations

In this research, the sample used was selected from one place in Solo due to resource constraints. Further research studies could expand the sample size by selecting sample units from other branches for PT.TelkomIndonesia across Surakarta city in order to have a better representation of product and service users from Telkom. It is also suggested that future research should be conducted to examine the rate of implementation of CRM by companies in Surakarta or even all city Indonesia. It is also suggested that future research replicates this study in other developing countries for better understanding of the implementation problems and current status. There is a good opportunity for next research to examine other elements of CRM which may affect customer satisfaction. The company should apply new policies to develop employee ability and knowledge to prove and growth good customer relationship management; finally Facilities in the company should be increased such as training for employees of the company, to support the development of employee.

REFERENCES

- Ahmed, T.M. (2005). Internet and Customer Relationship Management in SME's. *Jayachandran, S., Sharma, S., Kaufman, P., Raman, "The Role of Relational Information Processes and Technology Use in Customer Relationship Management", Journal of Marketing, 69(4), 177-192.*
- Anderson, E.W., Fornell, C., & Mazvancheryl, S.K. (2004). Customer Satisfaction and Shareholder value. *Journal of Marketing, 68(4), 172-185.*
- Bolton, RuthN. (1998). A Dynamic Model of the Duration of the Customer's Relationship With a Continuous Service Provider: The Role of Satisfaction, *Marketing Science, 17 (1), 45-65.*
- Baker, (2003). New consumer marketing: Managing a living demand system .England: Wiley.

- Brain and et al.(1999). Building Realistic Expectations and Managing Risk, the CRM Project Management Handbook.
- Baker, (2003). New consumer marketing: Managing a living demand system .England: Wiley.
- Bhattacharya, A. (2011) Preeminent Analysis of Customer Relationship Management (CRM). International Journal of Research in Management & Technology , 1 (1) ,45-51.
- Bowen , J .T.,&Chen , S.L . (2001). The Relationship between Customer Loyalty and Customer Satisfaction,International journal of Contemporary Hospitality Management, /2, 213-217.
- <http://dx.doi.org/10.1108/09596110110395893>
- Baran , R.J.(2008), Principles of customer relationship management (Thomson Higher Education, U.S.A.,).
- Coulter , K .S.,& coulter , R.A. (2002) . Determinants of trust in a service provider : the moderating role of length of relationship . Journal of service Marketing.16,35-50
<http://dx.doi.org/10.1108/08876040210419406>
- Dwyer, F.R., &Tanner, J.F. (2002). *Business marketing: Connecting Strategy, Relationships, and Learning*. New York, NY: McGraw-Hill.
- Ganesan, S. (1994). Determinants of Long-Term Orientation in Buyer-Seller Relationships. *the Journal of Marketing*, 1-19.
- Ismail , H.B.& et.al(2007), "Technology dimension of CRM : the orientation level and its impact on the business performance of SMEs in Malaysia" ,Int .J.Electronic customer relationship Management, Vol.1, No.1.
- .Jayachandran. and et . al.(2005) "The Role of Relational Information Processes and Technology use in Customer Relationship Manmanagement, "Journal of Marketing, Vol.69, No.4, pp. 177-192.
- KannanP.K., and MatthewD.Bramlett (2000). Implications of Loyalty Program Membership and Service Experiences for Customer Retention and Value, *Journal of the Academy of Marketing Science*, 28 (1), 95–108.
- Khaligh, a., Miremadi a., and Aminilari, m. (2012). The impact of CRM on loyalty and retention of customers in Iranian telecommunication sector. International journal of business management. 7(2), 150-162.
- Khedkar. (2015). Effect Of Customer Relationship Management On Customer Satisfaction And Loyalty International Journal Of ManagementVolume 6, Issue 5, pp. 01-07
- Lemon KatherineN, and VerhoefPeterC. (2004). The Theoretical Underpinnings of Customer Asset Management: A Framework and Propositions for Future Research, *Journal of the Academy of Marketing Science*, 271–92.
- Lemon, K.N, White, T. and WinerR.S. (2002),“Dynamic Customer Relationship Management: Incorporating Future Considerations into The Service Retention Decision”, Journal of Marketing, Vol. 66.PP.1-14
- Mihelis, G, Grigoroudis, E., Siskos, Y., Politis, Y. and Malandrakis, Y. (2001), “Customer Satisfaction Measurement in the Private bank Sector”,*European Journal of Operational Research*, Vol. 130 No. 2, pp. 347-60
- Malmi, T.& et.al.(2004), An Empirical Study on Customer Profitability Accounting , Customer Orientation and Business Unit Performance, the EAA 2004 conference in plaque, and the research seminars at the University of Technology Sydney and Macquarie university, Sep.

- Mithas, Sunil, Jones JoniL, and Mitchell Will (2002), "Non- Contractible Factors as Determinants of Electronic Market Adoption," in Proceedings of the 23rd International Conference on Information Systems
- PeterC.Verhoef (2003). Understanding the Effect of Customer Relationship Management Efforts on Customer Retention and Customer Share Development, *The Journal of Marketing*, Vol. 67, No. 4 pp. 30-45
- Rust, RolandT, MoormanChristine, and DicksonPeterR. (2002), "Getting Return on Quality: Revenue Expansion, Cost Reduction, or Both?" *Journal of Marketing*, 66 , 7–24.
- Swift , R.S.(2000) Accelerating Customer Relationships Using CRM and Relationship Technologies (Prentice Hall).
- Westbrook, R.A. and Oliver, R.L. (1991), "The dimensionality of consumption emotion patterns and customer satisfaction", *Journal of Consumer Research*, Vol. 18, pp. 84-91
- Zakaria, Ahmad, 2014, *The Impact of customer relationship n customer satisfaction in the banking industry*, *Journal of Business and management*, Vol.6, No.32,pp. 99-112